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2	JIM IRVIN DOCKETED
3	Commissioner - Chairman TONY WEST JAN 2 9 1999
4	Commissioner CARL J. KUNASEK BUGGETED BY
5	Commissioner
6	IN THE MATTER OF CITIZENS UTILITIES) DOCKET NOS. E-01032A-98-0726
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8	WEST UTILITIES COMPANY, TUBAC VALLEY) SW-02334A-98-0726 WATER COMPANY, CITIZENS WATER) W-01595A-98-0726
٥	RESOURCES COMPANY OF ARIZONA,) W-013454A-98-0726
9	CITIZENS WATER SERVICES COMPANY) W-03455A-98-0726
	OF ARIZONA, CITIZENS UTILITIES) T-01954B-98-0726 RURAL COMPANY, INC., CITIZENS) T-03214A-98-0726
10	TELECOMMUNICATIONS COMPANY OF) T-03214A-98-0726
11	THE WHITE MOUNTAINS, INC., AND)
	NAVAJO COMMUNICATIONS CO., INC) FILING FOR AN ORDER APPROVING THE) DECISION NO. 61382
12	FILING FOR AN ORDER APPROVING THE) DECISION NO. (9/3)% DEFERRED ACCOUNTING FOR YEAR 2000)
13	COMPLIANCE COSTS)
	<u>ORDER</u>
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15	Open Meeting
16	January 27 and 28, 1999
10	Phoenix, Arizona
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18	<u>FINDINGS OF FACT</u>
19	1. On December 18, 1998, Citizens Utilities Company, Sun City Sewer Company,
20	Sun City Water Company, Sun City West Utilities Company, Tubac Valley Water Company,
21	Citizens Water Resources Company Of Arizona, Citizens Water Services Company Of Arizona,
22	Citizens Utilities Rural Company, Inc., Citizens Telecommunications Company of the White
23	Mountains, Inc., and Navajo Communications Co., Inc. ("Citizens and its subsidiaries") filed a
24	joint application for an accounting order which would authorize the deferral of costs directly
25	incurred to resolve the Year 2000 computer problem.
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- 2. Citizens and its subsidiaries state that the Year 2000 problem ("Y2K probler results from computer programming systems and applications implemented during the formative stages of electronic information systems technology development.
- 3. Citizens, during 1998, created a multi-disciplined team of skilled professionals to tackle the Y2K problem.
- 4. Citizens and its subsidiaries are requesting that the Commission authorize them to defer all costs directly incurred in connection with its planned Year 2000 system compliance and Y2K mitigation efforts for future regulatory consideration.
- 5. Citizens and its subsidiaries justify their request on the basis that the problem is outside the control of Citizens, the expenditures are atypical and infrequently occurring, and deferral accounting is necessary to afford Citizens a fair opportunity to recover these costs and to avoid distorting current financial results.
- 6. In the case of Y2K expenses, there is a future benefit to be realized from the current expenditures.
- 7. The justification for deferral of the expenditures is also dependent upon a demonstration that the subsidiaries, on an individual basis, would earn less than their authorized rates of return without the deferral of the expenses.
- 8. Staff would recommend deferral accounting authorization for accounting purposes and future regulatory consideration for any Citizens' subsidiary subject to regulation by this Commission.

CONCLUSIONS OF LAW

- Citizens is an Arizona public service corporation within the meaning of Article 1. XV, Section 2 of the Arizona Constitution.
- 2. The Commission has jurisdiction over Citizens and over the subject matter of the application.
- The Commission maintains jurisdiction over the subject matter to the extent 3. permitted pursuant to the powers granted the Commission by the Arizona Constitution, Sta and Commission Rule.

Decision No. 6/382

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ORDER

THEREFORE, IT IS ORDERED that Citizens Utilities Company and its other subsidiaries subject to regulation by this Commission are hereby authorized to defer for accounting purposes and future regulatory consideration the costs directly incurred to resolve the year 2000 computer problem.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

COMMISSIONER - CHAIRMAN

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, STUART R. BRACKNEY, Acting Executive Secretary of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 29 day of 1999.

STUART R. BRACKNEY
Acting Executive Secretary

DISSENT

RTW:SLH:djg/PAB

Decision No. <u>6/382</u>